APPENDIX IV.

[Vide answer to question No. 33 asked by Mr. A. B. Shetty at the meeting of the Legislative Council held on the 2nd August 1932, page 37 supra.]

Memorandum to the Chief Minister, the Government of Madras, presented at Madras on 21st March 1932 by Sir Alexander McDougall, Mr. G. L. Orchard, Mr. T. T. Krishnamachari, Lieut.-Col. C. H. Brock, Mr. W. W. Ladden, Major F. Church and Mr. J. N. Peyton representing Indian Roads and Transport Development Association, Ltd., the Madras Chamber of Commerce, the Southern India Chamber of Commerce, the United Planters' Association of Southern India, the Madras Trades Association, the Automobile Association of Southern India, and the Madras Motor Vehicles and Allied Merchants Association.

MOTOR TRANSPORT AND TAXATION.

Taxation on the motor transport industry is now higher in India than in any other part of the world, and it is higher in the Madras Presidency than in other parts of India. The extent of this taxation is not often realized and details will, therefore, be of interest.

CENTRAL GOVERNMENT TAXES.

Cars, Lorris and Bus Chassis.—Import duty is now 37½ per cent *ad valorem* on private cars and 25 per cent on lorries and bus chassis.

Petrol.—The Import duty and Excise was increased by a further 2 annas per gallon last October and has now reached the astonishing total of 10 annas per gallon. On the current price for petrol, the levy is in excess of 100 per cent *ad valorem.* In Madras City the selling rate *ex* pump is Rs. 1–5–0 per gallon, calculated as follows:—

	RS.	A.	P.	
Net rate	0	9	0	per gallon.
Retailer's commission ...	0	2	0	,,
Government tax ...	0	10	0	,,
	1	5	0	,,

so that the price to the public is nearly 50 per cent tax.

Motor Oils.—The Import duty is now two annas one pie per gallon.

Tyres.—The Import duty is now 25 per cent *ad valorem.*

Accessories.—The Import duty varies from 25 per cent to 37½ per cent.

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Provincial Government Taxes.

Private Cars.—Registration fee Rs. 16 on purchase.

Annual Provincial tax under the Madras Motor Vehicles Taxation Act, 1931:—

Weighing not more than 15 cwt. unladen	Rs.	70	per annum.
,, from 15 cwt. to 30 cwt. ...	,,	100	,,
,, from 30 ,, to 45 ,, ...	,,	130	,,
,, from 45 ,, to 60 ,, ...	,,	160	,,
,, over 60 ,, ...	,,	200	,,
Buses.—Registration fee	,,	16	on purchase.
Government permit	,,	16	per annum.
Brake testing fee	,,	50	,,

Annual Provincial Tax under the Madras Motor Vehicles Taxation Act, 1931, Rs. 920 per annum. (By a concession of the Madras Government Rs. 690 only was collected in 1931–32.)

District Board Taxes.

Private cars are exempted. The taxes collected as licence fees on buses differ in the various districts, but Rs. 1,100 per annum per bus represents the average figure.

In order to realize the full burden of this taxation it is necessary to examine the running expenses of a bus and a private car owner and the figures set out below give a fair indication of annual costs:—

Bus—

	Total cost per annum.		Taxation per annum.	
	RS.	A.	RS.	A.
Initial cost of bus at Rs. 3,500 to be written off in three years—Duty at Rs. 650	1,166	0	216	0
Registration Rs. 16	5	5	5	5
Government permit	16	0	16	0
Brake testing fee	50	0	50	0
Provincial tax	690	0	690	0
District Board Licence fee	1,100	0	1,100	0
2,400 gallons of petrol per annum at an average of Rs. 1–9–0 per gallon	3,750	0	1,500	0
Motor oil	216	0	9	6
12 new tyres and 6 inner tubes ...	960	0	178	0
Spare parts	300	0	37	0
	8,253	5	3,801	11

In addition the bus owner must pay wages if he or members of his family do not act as driver and conductor. In the case of a bus owner operating on a large scale he must pay wages for his staff, and if he makes

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sufficient profit, a further levy is imposed upon him in the form of income and profession tax; thereby making a further contribution to the general revenue part of which is used for the upkeep of the roads.

Private car (15 to 30 cwt.)—

	Total cost per annum.		Taxation per annum.	
	RS.	A.	RS.	A.
Initial cost of car Rs. 4,000 to be written off in five years—Duty at Rs. 1,025	800	0	205	0
Registration at Rs. 16 on purchase.	3	3	3	3
Provincial tax under Madras Motor Vehicles Act, 1931	100	0	100	0
500 gallons of petrol per annum at an average of Rs. 1-9-0 per gallon	781	0	312	0
Motor oil	60	0	1	9
4 new tyres and 4 inner tubes ...	180	0	32	0
Spare parts	300	0	55	0
Wages	250	0	...	
	2,474	3	708	12

Thus a private car owner spends approximately Rs. 2,474 per annum on his car and out of this amount he contributes no less than Rs. 708 in taxation, or 29 per cent. The burden of the bus owner is, however, staggering. Out of a total expenditure of about Rs. 8,253 he contributes Rs. 3,802 in taxation or approximately 46 per cent of the whole. Out of every rupee which he spends, 7·36 annas is taxation.

It is of course well known how this state of affairs has arisen. In past years the motor transport trade has given an impression of false prosperity and all taxation authorities from the Central Government to the district boards in their search for means of raising revenue have imposed increasingly heavier taxes. There would appear to have been little co-operation between the authorities concerned and no effort made to ascertain the economic limit of taxation. There is some doubt regarding the total number of buses in the Madras Presidency, but the latest figures indicate that there are about four thousands owned by, say, 3,000 individuals. It is not equitable that this small group of 3,000 should be expected to contribute about 152 lakhs of rupees in taxation.

The present position of the bus industry has been described fully in the Legislative Council, in the petitions which have been presented to Government and in the Press. Buses are being withdrawn from the road in large numbers as their owners have come to the end of their resources, while those still in operation are running at a loss. Many of the poorer owners are only enabled to continue their business by obtaining an extension of their hire-purchase terms and through the generous credit

terms given by the petrol retailers. A large proportion of the bus business is thus being carried by the firms financing hire-purchase and by the petrol trade. This state of affairs cannot continue and a crisis in the trade is rapidly approaching. The sale of new buses is at a standstill. The sale of tyres and accessories has declined heavily. The sale of petrol which has increased every year since 1923 fell in 1931 for the first time. It is a significant fact that the drop in the petrol trade followed immediately the imposition of an additional 2 annas on the petrol Excise duty and the introduction of the Madras Motor Vehicles Act in April last year. With a further addition of 2 annas in the Excise duty in October the decline in petrol sales was accelerated. Thus while trade generally is improving in the Presidency and showing distinct signs of revival the position of the motor transport trade becomes steadily worse. The final result can only be an enormous reduction in the number of buses on the road and the ruin of all the small owners. The small bus owner has played a great part in providing quick and cheap communications in rural districts, and if he has himself profited, his enterprise has at the same time conferred great benefit on the community. It is neither just nor expedient to tax him out of existence.

It is not generally realized that the bus trade consumes approximately 80 per cent of the total sales of petrol. The partial extinction of the bus trade will, therefore, mean an enormous loss of revenue to the Central Government who now derive 10 annas on every gallon sold. The Provincial Government will suffer a corresponding loss as 20 per cent of this amount is allocated to the Provinces for road construction. There will be a further heavy drop in the receipts from import duty on new cars, and a loss in revenue on the collection under the Madras Motor Vehicles Act and the District Board Licence fees. The facts are perfectly plain. Three taxing authorities at the same time and acting independently have seen fit to bring about a drastic increase in the taxation on a particular Industry and the ruin of that Industry is the result. The responsibility must be shared by the Central Government, the Provincial Government and the District Boards, and it is essential that these bodies should act together to reduce the burden of taxation.

With regard to the petrol Excise duty of 10 annas a gallon it is necessary that either the Central Government should be prepared to reduce the Excise or else allocate to the Provinces a far larger proportion of the amount collected, so as to enable these authorities to reduce their direct taxation, or to make such grants to the District Boards as will enable them to reduce their licence fees.

The drastic amendment of the Madras Motor Vehicles Taxation Act, 1931, is also essential, as it is now obvious that this Act has failed completely to bring about its original objects.

It is understood that in introducing the Madras Motor Vehicles Taxation Act of 1931 it was the intention of the Government of Madras to encourage the development of the industry by the abolition of tolls. The Indian Road Development Committee rightly condemned the system of tolls and the Madras Government accepted their recommendation to

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abolish them. In their statement of objects and reasons the Government say "The Indian Road Development Committee have condemned the system of tolls and it is considered necessary to terminate this system not only on account of the annoyance it causes to the road-using public and especially to fast-moving traffic, but to an even greater degree on account of its wastefulness as a method of collecting revenue from road-using vehicles. . . It is proposed, therefore, to abolish all tolls and to substitute vehicle taxation."

The system of tolls was based on the principle that the user of the road must pay for its use: so much so that it levied a toll on bullock carts and other vehicles that used the road. If a vehicle did not use certain roads, it paid no tolls. This older system of collection, based on a correct principle, was however, wrong in its application. In the attempt to effect a change in the collection of the dues, the Madras Motor Vehicles Act committed the error of losing sight entirely of the principle that the tax on vehicles is levied for the use of the road. The act provides for the taxation of all motor vehicles, some of which do not use public roads, and exempts from taxation vehicles such as bullock carts, bandies, etc. The exemption from tax of other vehicles other than motor vehicles has added an unfair burden to motor transport which has to make good the revenue lost by these exemptions.

The Government communique, dated 30th March 1931, published for the purpose of helping the public readily to acquaint themselves with the provisions of the Act, puts the proposition clearly and emphatically and in italics: "*The vehicle need not be actually used; even if it is merely to be kept, the tax is to be paid.*" The same communique says that the effect of the Act is that carts kept outside the Municipal or Corporation limits are to pay no tax, and are not liable to pay any tolls even though they enter the Municipal limits and use the roads. It is wrong in principle to exempt from taxation the road-wearing bullock carts and bandies. It has been stated that the exemption of bullock carts, etc., from taxation is to the benefit of agriculture. Such an argument is not equitable by reason of the fact that motor trucks used solely for agricultural purposes are not exempt under the Act.

The Motor Vehicles Taxation Act leaves untouched the provisions of the Madras Local Boards Act and the District Municipalities Act which prohibit the use of motor vehicles and motor lorries for hire on any public road within the jurisdiction of the Local Bodies except on a Licence obtainable from the Chairman of the Municipality or the President of the District Board. These bodies have chosen to levy fees which though termed licence fees, are, in reality, taxes. The preamble to the Motor Vehicles Taxation Act states clearly that it was passed because it was "expedient to abolish the levy of tolls on motor vehicles by Local Bodies within the Madras Presidency." But the Act is defeated by the power of the Local Bodies to levy licence fees under the District Municipalities Act and the Local Boards Act.

It is recognized throughout the world that a licence fee is a collection solely for the purpose of meeting the expenses of supervision. The

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Act, by virtue of its preamble, clearly shows that its original intention was that it should be the sole tax on motor transport, and that in addition licences of a small amount only should be levied by District Boards to cover the cost of supervision and control of motor transport plying for hire in their respective districts.

The necessity of revising the Madras Local Boards Act and the District Municipalities Act has been clearly shown by the judgments delivered on the 14th March by Mr. Justice Waller and Mr. Justice Krishnan Pandalai in the recent Criminal appeal case, The Malabar District Board *v.* various bus owners. The latter had appealed against a conviction in Malabar for failure to pay District Board Licence fees on the grounds that such licence fees were in actual fact taxes and therefore illegal. The learned judges, were, however, unable to agree on this point and the case has been referred to a third judge.

The hard fact remains, however, that revenue must be raised, and it is agreed that the Motor Transport Industry must bear its share—but no more than its just share. It is admitted that the industry is now being treated with grave injustice, and also that at present excessive taxation is defeating its object by strangling motor transport. The result can only be a diminution of revenue.

Experience has shown in all countries that a reasonable tax on petrol is probably the most equitable—the present tax is unreasonable in amount and disposal. The petrol tax is carried by the consumer throughout the year, and therefore, causes the minimum disturbance to his business. Much of the present difficulty of the Madras bus owner can be attributed to the necessity of finding large sums quarterly or half-yearly to meet the Provincial Tax and District Board licence fees. But the Central Government now retains 80 per cent of the petrol tax, and if the whole of this vast sum was passed on to the Provincial Governments and utilized in part for grants to the District Boards the position would be greatly improved. If, however, it is impossible for the Central Government to relinquish their share of the petrol tax, the Provincial Government must turn to other sources of revenue. The most destructive vehicle on the road is the bullock cart, yet it pays nothing towards the upkeep of the roads. The solution therefore is to tax all vehicles on the road. This is both just and expedient. Even if this involves the re-establishment of tolls for non-mechanical transport, it would be preferable to the present state of affairs.

The Motor Transport Industry is now at the mercy of three taxing authorities. Co-ordination and a uniform policy is essential. A central authority should be established either Provincial or for all India, and a progressive policy initiated to encourage Motor Transport. Road Transport is less developed in India than in almost any country of the world and its potentialities are enormous. The only solution is a wholesale reduction in taxation and a vigorous policy of expansion.

Meanwhile to provide immediate relief, the following adjustment should be made in the present scale of taxes and licence fees.

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The Provincial tax should be reduced to Rs. 5 per seat excluding driver and conductor per quarter.

District Board Licence fees should be limited to a maximum not exceeding Rs. 5 per seat per quarter.

Both tax and licence fee should be collected quarterly, Provincial tax on the 1st January, 1st April, 1st July and 1st October and District Board licence fees on the 1st February, 1st May, 1st August and the 1st November. This arrangement will spread the incidence as much as possible.

A bus owner taking out a licence or paying Provincial tax in the last month of any quarter should be permitted to pay two-fifths of the quarter tax or licence fee.

District Boards should be granted power to levy a tax on bullock carts and other users of their roads. If no other local means of obtaining revenue from bullock carts and other non-mechanical vehicles can be devised, each vehicle should be registered and numbered on similar lines as those adopted for cars, buses and lorries at a suitable registration fee. The Police should be given powers to stop any unregistered vehicle of all types.

The Provincial Government should take immediately steps to press upon the Central Government the equity of their claim to a larger proportion of the duty/excise on petrol and import duties on motor vehicles parts and accessories to be applied to the reduction of Provincial and Local Taxation of motor vehicles and the construction and maintenance of roads in the Presidency.

APPENDIX V.

[Vide answer to question No. 35 asked by Mr. A. Ranganatha Mudaliyar at the meeting of the Legislative Council held on the 2nd August 1932, page 38 supra.]

Statement.

Districts in which Temple Committees are not functioning at present.

Name of district.	Date of expiry of the term of the Committee.
1. Anantapur	20— 5—30
2. Arcot, North	10—12—30
3. Bellary	6—10—30
4. Chingleput—	
Chingleput Circle Committee	27— 5—30
Tiruvallur Circle Committee	17— 6—30
5. Chittoor	10— 6—30